

Message Text

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PAGE 01 KINGST 01119 01 OF 02 291624Z

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ACTION SS-30

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O 291510Z MAR 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4352

INFO AMEMBASSY TUNIS

S E C R E T SECTION 1 OF 2 KINGSTON 1119/1

EXDIS; TUNIS FOR AMB GERARD; DEPT PASS OPIC

E.O. 11652: GDS

TAGS: PINT, EMIN, US, JM

SUBJ: BAUXITE NEGOTIATIONS SITREP 21: ROUND TWO BEGINS

REF: KINGSTON 1099

1. SUMMARY: ROUND TWO OF THE BAUXITE NEGOTIATIONS GOT OFF TO A SLOW START THIS WEEK AS INDUSTRY PRESENTED A PAPER TO THE GOVT RESPONDING TO THE GOVT'S OPENING POSITION PAPER OF MAR 15. INDUSTRY PAPER CONSTITUTES A MODEST REVENUE PROPOSAL AND VERY LITTLE ELSE. IT EXPLICITLY AVOIDS DISCUSSING PRODUCTION, PARTICIPATION, AND EXCESS RESERVE ISSUES THOUGH IT LEAVES THE DOOR OPEN FOR SUBSEQUENT CONSIDERATION OF THESE ISSUES. IT IS DIFFICULT TO ASSESS IMPACT ON NEGOTIATIONS OF REMOVAL OF PRICE CONTROLS ON ALUMINUM IN THE US BUT IT IS SURE TO BE MAJOR. END SUMMARY.

2. INDUSTRY REPS TRICKLED BACK TO JAMAICA TUESDAY AND WEDNESDAY FOLLOWING MONDAY'S SUMMIT MEETING IN MIAMI. THEY BROUGHT WITH THEM A SHORT PAPER RESPONDING TO THE GOVT'S POSITION PAPER OF MAR 15. INDUSTRY PAPER (REFTEL) IS CONFINED TO REVENUE ISSUES AND FAILS TO DEAL WITH INCREASED PRODUCTION, EXCESS RESERVES, OR PARTICIPATION ISSUES. HOWEVER, IT LEAVES THE DOOR OPEN TO FURTHER DISCUSSION OF THESE ISSUES BY SAHNG THAT INDIVIDUAL COMPANY POSITIONS ON THESE QUESTONS WILL BE DEVELOPED AND PRESENTED SEPARATELY. REVERE OPTED OUT OF THE COLLECTIVE POSITION BECAUSE IT FEELS ITS FINANCIAL POSITION IS SO POOR IT MUST SEEK A

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PAGE 02 KINGST 01119 01 OF 02 291624Z

SPECIAL ARRANGEMENT WITH THE GOVT. ANACONDA IS IN BUT NOTED THAT

IT MUST RESERVE ITS POSITION IN CERTAIN RESPECTS. BY EMBASSY'S ROUGH CALCULATION REVENUE PROPOSAL WOULD YIELD APPROXIMATELY 60-70 PERCENT INCREASE OVER CURRENT REVENUE LEVELS. IT IS DOUBTFUL THAT GOVT WILL REGARD THIS AS ANYTHING CLOSE TO RESPONSIVE IN VIEW OF ITS REQUEST FOR APPROXIMATELY TEN-FOLD INCREASE IN REVENUES.

3. THE NEWS THAT THE US COST OF LIVING COUNCIL REMOVED PRICE CONTROLS FROM ALUMINUM MAR 23 COMES AS SOMETHING OF A BOMBSHELL IN THE MIDDLE OF THE NEGOTIATIONS. IT IS DIFFICULT TO ASSESS THE IMPACT OF THIS DECISION ON THE PROGRESS AND OUTCOME OF THE NEGOTIATIONS. IT UNDERMINES WHAT HAD BEEN THE INDUSTRY'S STRONGEST ARGUMENT ON THE REVENUE SIDE -- THAT RISING COSTS AND FIXED PRICES DID NOT PERMIT LARGE INCREASES IN PAYMENTS TO JAMAICA. TO THE EXTENT PRICE CONTROLS WERE A REAL CONSTRAINT ON INDUSTRY, HOWEVER, THEIR REMOVAL MAY PERMIT IT TO TAKE A MORE FORTHCOMING ATTITUDE ON REVENUES WITH POSITIVE RESULTS NOT ONLY FOR THE RESOLUTION OF REVENUE ISSUES BUT FOR THE ENTIRE NEGOTIATION. ONE IMMEDIATE RESULT IS TO MAKE THE INDUSTRY REVENUE OFFER PRESENTED WEDNESDAY LOOK EVEN LESS SUBSTANTIAL THAN IT ALREADY DID.

4. INDUSTRY REPS MET THURSDAY MORNING TO ORGANIZE THEMSELVES FOR FRIDAY'S COLLECTIVE MEETING WITH THE GOVT. AT THIS MEETING IT WAS DECIDED THAT INDIVIDUAL COMPANY PAPERS ON NON-REVENUE ISSUES WOULD BE PREPARED AND BE READY FOR SUBMISSION BY THE TIME OF THE FRIDAY MEETING. IT WAS ALSO AGREED THAT LLOYD N. CUTLER (OF THE LAW FIRM WILMER, CUTLER, AND PICKERING) WOULD ACT AS INDUSTRY SPOKESMAN AT THE FRIDAY MEETING. CUTLER IS LONG-TIME ATTORNEY FOR KAISER AND HAS WON THE RESPECT AND CONFIDENCE OF THE ENTIRE INDUSTRY OVER THE PAST SEVERAL WEEKS. HE WILL BE BACKED UP BY CHAPMAN ROSE, ANTI-TRUST MONITOR RETAINED BY THE INDUSTRY AS A WHOLE. ALTHOUGH INDUSTRY HAS SELECTED CUTLER AS ITS SPOKESMAN FOR TODAY'S MEETING, THEY EXPECT APPROX 30 INDUSTRY REPS TO BE IN THE ROOM. THIS BEING THE CASE INDUSTRY ASKED GOVT NEGOTIATORS TO HOLD THE MEETING IN A LARGER ROOM. GOVT DECLINED SAYING THAT IT EXPECTED THE FRIDAY MEETING TO BE EXTREMELY SHORT. IT IS NOT CLEAR WHAT THIS PORTENDS.

5. ANOTHER IMponderable FACTOR HAS BEEN THE ABSENCE FROM THE ISLAND MOST OF THIS WEEK OF MEYER MATALON ON PRIVATE BUSINESS. IT IS NOT
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PAGE 03 KINGST 01119 01 OF 02 291624Z

CERTAIN THAT HE WILL RETURN IN TIME FOR TODAY'S MEETING AND, ITS PROSPECTIVE BREVITY MAY HAVE SOMETHING TO DO WITH MATALON'S ABSENCE. IF MATALON IS NOT PRESENT THE INDUSTRY MAY STALL UNTIL HE CAN RETURN AND POSITION HIMSELF TO PLAY HIS USUAL FOREWARD ROLE. ALTHOUGH INDUSTRY REPS SMART UNDER MATALON'S BLUSTERING ATTACKS THEY REGARD HIM AS THE GOVT NEGOTIATOR MOST EQUIPPED TO UNDERSTAND THEIR PROBLEMS. ANOTHER SOURCE OF CONCERN IS THE PROJECTED DEPARTURE ON SUNDAY OF HORACE BARBER, PERMSEC OF THE

MINISTRY OF FINANCE AND A MEMBER OF THE NEGOTIATING TEAM. BARBER WILL BE SPENDING A WEEK IN ENGLAND WITH MINISTER OF COMMUNICATIONS AND TRANSPORT ERIC BELL, NEGOTIATING THE FATE OF THE KINGSTON BUS SERVICE. ALTHOUGH BARBER HAS NOT PLAYED A VOCAL ROLE IN THE NEGOTIATION, HE IS, IN EFFECT, LOCUM FOR MINFIN DAVID COORE AND CENTRAL BANK GOV G. ARTHUR BROWN. AS SUCH HIS MERE PRESENCE HAS PROBABLY BEEN A MODERATING FACTOR AND HIS ABSENCE COULD UNBALANCE THE NEGOTIATING TEAM.

6. THOUGH NEWSPAPER STORIES HAVE FREQUENTLY REFERRED TO NEGOTIATIONS PROCEEDING BEHIND CLOSED DOORS, THERE HAS BEEN M
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PAGE 01 KINGST 01119 02 OF 02 291629Z

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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 4353
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S E C R E T SECTION 2 OF 2 KINGSTON 1119

EXDIS

TUNIS FOR AMBASSADOR GERART

BAUXITE/ALUMINA INDUSTRY. WE QUERIED THE DAILY NEWS THROUGH USIS ABOUT THE ORIGINS OF THE SERIES AND THE PAPERS INTENTIONS IN PRINTING IT. THIS INQUIRY BROUGHT AN IMMEDIATE REACTION IN THE FORM OF A PERSONAL CALL BY ONE OF THE EDITORS ON USIS. HE EXPLAINED THAT THE ENTIRE ARTICLE, INCLUDING THE EDITORIAL, WERE THE PRODUCT OF THE JOINT ACTION COUNCIL, SMALL GROUP OF LEFTIST INCLINED OR CATHOLIC-NATIONALIST YOUNG PEOPLE. HE SAID THAT THE DAILY NEWS WAS PRINTING THE SERIES AS A PUBLIC SERVICE, BECAUSE EVERYONE HAD A RIGHT TO EXPRESS THEIR OPINIONS, AND SO ON. HOWEVER, HE ALLOWED AS HOW THE TIMING OF THE SERIES WAS DESIGNED TO RESPOND TOO WHAT WAS REGARDED IN JAMAICA AS A "MASSIVE PUBLIC RELATIONS CAMPAIGN" BY THE INDUSTRY HERE AND ELSEWHERE. PRESUMABLY HE WAS REFERRING TO A SERIES OF ARTICLES AND FULL-PAGE ADS PLACED BY THE INDUSTRY SEVERAL MONTHS AGO DESCRIBING ITS CONTRIBUTIONS TO JAMAICAN LIFE, AND ALSO TO RECENT SPATE OF WIRE SERVICE STORIES ON HOW IT IS TECHNICALLY

POSSIBLE TO MAKE ALUMINUM FROM ALMOST ANYTHING LYING AROUND, AND HOW THIS WILL BECOME ECONOMIC IF THE PRICE OF BAUXITE IS DRIVEN TOO HIGH. ON WEDNESDAY AND THURSDAY THE DAILY NEWS RAN THE SECOND AND THIRD PART OF THE SERIES WHICH CONTINUED TO CALL FOR NATIONALIZATION AND

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PAGE 02 KINGST 01119 02 OF 02 291629Z

SUPPORTED THE ARGUMENT WITH A BEWILDERING ARRAY OF STATISTICS, GRAPHS, AND DIAGRAMS. ON WEDNESDAY, HOWEVER, THE PAPER ALSO PRINTED IN A BOX ON THE FRONT PAGE A DISCLAIMER OF ANY RESPONSIBILITY FOR THE CONTENT OF THE ARTICLES, INCLUDING WHAT MIGHT HAVE BEEN MISTAKEN FOR A DAILY NEWS EDITORIAL IN THE FIRST PART OF THE SERIES. IT ALSO PROVIDED FULLER INFORMATION ON THE JOINT ACTION COUNCIL

7. OTHER NEWS STORIES DURING THE WEEK INCLUDED FULL COVERAGE OF THE GROUP OF 77 PROPOSALS IN THE UN FOR PERMITTING NATIONALIZATION OF FOREIGN ASSETS, NEWS OF LEGISLATION INTRODUCED INTO PARLIAMENT HERE PERMITTING THE GOVERNMENT TO SEEK MORE INFORMATION FROM THE BAUXITE/ALUMINA COMPANIES THAN IT IS CURRENTLY AUTHORIZED TO DO, AND COVERAGE OF A STATEMENT BY "AN INFORMED SOURCE" ON THE NEGOTIATIONS SAYING THAT THEY ARE GOING VERY WELL IN JAMAICA'S FAVOR AND THAT "A HIGHLY-FAVORABLE SETTLEMENT REPRESENTING A GENEROUS CONCESSION FROM THE BAUXITE COMPANIES IN TERMS OF FINANCIAL RETURNS TO JAMAICA" IS LIKELY TO BE THE FINAL OUTCOME OF THE TALKS. THESE RATHER UNSUBTLE PRESSURES MAY RAISE PUBLIC EXPECTATIONS SOMEWHAT AND UNDOUBTEDLY IRRITATE THE INDUSTRY WHICH, ON THE WHOLE, HAS BEHAVED WITH RESTRAINT THUS FAR. HOWEVER, THE PR CAMPAIGN IS UNLIKELY TO HAVE MUCH IMMEDIATE IMPACT ON THE NEGOTIATIONS. HEWITT

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